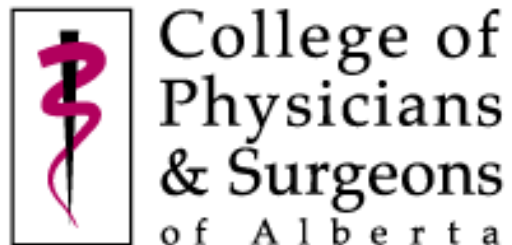


# **Request for Proposal**

## **Investment Advisory and Management Services**



**January 26, 2012**

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## I. INTRODUCTION

The College of Physicians & Surgeons of Alberta (“the College”) is soliciting proposals from investment firms to provide certain investment management services.

The College intends to select two or more investment managers from different firms for separate investment portfolios. These portfolios must be invested in compliance with the College’s investment policy.

The College proposes that the term of the contract for investment advisory and management services be for an initial period of five years with the option to renew for a consecutive two year period at the discretion of the College.

This request for proposal (RFP) contains background information on the College and specific information that must be included in the proposals submitted. The proposals must be submitted by no later than 4:00 PM, February 29, 2012, directly to our office at the following address:

College of Physicians & Surgeons of Alberta  
2700, 10120 – 100 St NW  
Edmonton, AB  
T5J 0N3

Attn: John Swiniarski, Assistant Registrar

Note: The College portfolio information contained in this document is confidential, and provided in good faith for the sole purpose of preparing a response to this RFP. Other use of this information or disclosure to other parties for any other purpose is strictly prohibited.

## II. BACKGROUND

### **Our Organization**

The College is responsible for the regulation of the medical profession in Alberta. The main lines of business include:

- Registering physicians
- Investigating and resolving physician-related complaints
- Providing clinical review
- Accrediting health facilities
- Guiding professional conduct and ethical behavior
- Contributing to public policy affecting health care delivery

The College currently operates under the authority of the *Health Professions Act* and applicable regulations and bylaws.

The College's governing Council includes physician members, public members and representatives from Alberta's medical schools. Physician members are elected annually by Alberta doctors, while public members and medical school representatives are appointed. College staff, all located in Edmonton, number approximately 100. The Chief Executive Officer, who carries the title Registrar, is Dr. Trevor Theman.

### **Our Vision**

Albertans are healthier because the College of Physicians & Surgeons of Alberta:

- ensures that physicians are competent throughout their careers;
- supports physicians in providing compassionate, caring and ethical services to the people of Alberta;
- fosters quality health care for all Albertans through innovation, collaboration and cooperation with other key stakeholders; and
- advocates for public policy that contributes to the health of Albertans.

### **Our Mission**

Serving the public by guiding the medical profession.

### **Investment Portfolio**

The College is constituted under the authority of the *Health Professions Act* of the Province of Alberta. As a not-for-profit organization under the *Income Tax Act (Canada)*, the College is not subject to either federal or provincial income taxes.

The College currently has two separate investment portfolios each totaling approximately \$3.78 million for a total of \$7.56 million. The funds are invested in line with the College's investment policy.

The College's current investment policy has restrictions in investments as follows:

- a) Direct investment in individual equities shall not be permitted, except where such equities are part of professionally-managed pooled funds.
- b) The Registrar will not invest College funds in derivatives, options or futures.
- c) Investment in aggressive growth or speculative mutual funds focusing on junior companies, emerging markets, precious metals or energy will be minimized.
- d) Investments in tobacco, alcohol or weapons manufacturing firms will be minimized.
- e) No individual bond holding will be greater than 5% of the investment manager's bond portfolio, with the exception of Government of Canada or provincial bonds.

The following item is included in the package to assist you in better understanding the College and its investment needs:

- A copy of the College's current investment policy dated November 2010.

#### **IV. PROJECT DEFINITION**

Specific responsibilities of the selected investment manager(s) will include, but not be limited to the following:

- Assist the College in the execution of an investment strategy for each investment portfolio.
- Manage, on a daily basis, investments of the College pursuant to the specified investment objectives of the portfolio.
- Review cash flow projections developed by College staff to ensure that planned investments are consistent with cash requirements and cash flow projections.
- Provide monthly reports in a time frame required by the College. Monthly reports must include a mark-to-market valuation, a beginning balance, date, amount and description of each transaction, ending balance, investment earnings accrued, and investment earnings earned.
- Maintain accurate records of all investments. These records must be available for periodic review and audit at any time, if necessary, by the College or other entities to whom the College has granted an audit right.
- Prepare quarterly performance reports and be available for performance review meetings at least quarterly, if required.
- Assist in preparation and presentation of an annual report to the College's Finance & Audit Committee.
- Respond to inquiries and prepare reports for the College's external auditors.

#### **V. PROPOSAL REQUIREMENTS**

The following items should be specifically addressed in the proposal submitted and must reference the item number:

1. Company information
  - 1.1. Year organized
  - 1.2. Number of clients
  - 1.3. Type of clientele (defined by industry and size of portfolio)
  - 1.4. Number of staff (i.e., investment-related staff only)
  - 1.5. Assets under management
  - 1.6. Number of offices

- 1.7. Location of corporate headquarters
  - 1.8. Related organizations
  - 1.9. Discussion of any past or present litigation or regulatory actions against your firm
  - 1.10. Potential conflicts of interest
2. The qualifications of your firm and its ability to provide investment management services.
    - 2.1. Qualifications of principals and professional staff (Please specify those individuals who will be directly responsible for this account)
    - 2.2. Number of years of experience in investment management
    - 2.3. Discussion of investment philosophy
    - 2.4. Discussion of your customer service philosophy
    - 2.5. Actual 5-year investment performance of five similar-size clients (without disclosing names) with comparison to relevant indices
3. Relevant experience with other similar not-for-profit organizations
    - 3.1. Include a list of your not-for-profit clients
    - 3.2. Include three specific references that we may contact (Clients most similar to the College in type and size of business and similar services requested are recommended)
4. Reporting, portfolio evaluation and review of accounts
    - 4.1. Frequency of reporting to clients (e.g.: monthly, quarterly)
    - 4.2. Form of your reports (please provide sample)
    - 4.3. Frequency of portfolio evaluation
    - 4.4. Frequency of account review by your firm and willingness to meet with management to make recommendations and discuss performance
5. Recommended asset allocation
    - 5.1. Recommended asset allocation and estimated annual rate of return for one, three, five and ten years
    - 5.2. Include an analysis for the recommended asset allocation and a discussion of the risk/reward spectrum for your recommendation(s)

- 5.3. For the investments included in your recommended portfolio, please provide a current (as of December 2011), one, three, five and ten year annual returns compared to relevant indices
  
6. Recommended changes to the investment policy
  - 6.1. Effects on specific returns
  - 6.2. Effect on your fees, if any
  - 6.3. Rationale for recommendations
  - 6.4. Pros and Cons of recommended changes
  
7. Insurance
  - 7.1. Provide a listing of applicable insurance coverage maintained with relevant coverage limits
  
8. Research and investment decisions
  - 8.1. Provide research methods and resources (external and internal)
  - 8.2. Discussion of investment decision making process (committee, portfolio manager, external investment managers, etc.)
  
9. Fees
  - 9.1. Indicate all fees involved for each of the services you are proposing to provide
  - 9.2. Include a breakout of the initial and ongoing consulting fees and the custodial and management fees as a percentage of the dollar value of the assets
  - 9.3. Discuss the frequency in which such fees will be evaluated and the maximum amount of any increase to be expected
  
10. Other Services
  - 10.1. Please address any alternative or additional services that you are capable of providing that may be of benefit to the College
  - 10.2. Discuss your experience in rendering such services

## IV. SELECTION PROCESS AND TIMING

### Schedule

January 26, 2012	RFP will be made available to invited firms.
February 29, 2012	All proposals must be submitted to the College by 4:00 pm of February 29, 2012
March 1 – 9, 2012	Internal screening of proposals. The College will develop a short list of at least two firms whose references will then be contacted.
March 12 – 19, 2012	Selected short list firms may be requested to present their proposal
March 26, 2012	Selection of the successful firm will be made and negotiation of terms of engagement undertaken. Other short listed firms will be notified.
April 1, 2012	The successful firm will start the project.

We will review all proposals based on the criteria outlined above. Those firms whose proposals are selected for further consideration may be asked to make a personal presentation to us and/or answer questions in advance of our final selection.

The College will not necessarily select the lowest cost proposal.

Responses to this proposal are requested to be received at this office by no later than 4:00 PM, February 29, 2012. We ask that you forward four (4) copies of the proposal to the address shown below, directed to the attention of John Swiniarski.

## V. PROPOSAL CONDITIONS

### Contingencies

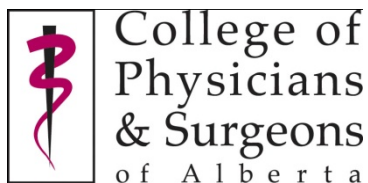
This Request for Proposals (RFP) does not commit the College to award a contract. The College reserves the right to accept or reject any or all proposals or waive irregularities if the College determines it is in the best interest of the College to do so.

### Acceptance or Rejection of Proposals

Proposals shall remain open, valid and subject to acceptance anytime up to three months after the proposal opening date and time. The College realizes that conditions other than lowest cost are important and will award contract(s) based on the proposal(s) that best meet the needs of the College.



**Appendix 1 – College Investment Policy**



## College of Physicians & Surgeons of Alberta Investment Policy

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  - 5.2 Internal/External Management, Permissible Investments
  - 5.3 Control of Assets
6. Conflict of Interest

**Initially created: May 2002**

**Revised: November 2010, replacing version dated June 2009**

## **1. Introduction**

This Investment Policy was developed by the Registrar, to outline the structure, policies and processes by which he will manage and invest the operating capital, retained surplus funds and pension funds of the College of Physicians & Surgeons of Alberta (CPSA).

## **2. Allocation of Responsibilities**

### **2.1 College Governance**

Reference is first be made to the College's bylaws, Council Policy, and the Terms of Reference approved by Council for the Finance and Audit Committee.

- a) The Council of the College is responsible for setting policies, specifying ends, and establishing executive limitations for the Registrar in their implementation.
- b) The Finance and Audit Committee (FAC) is responsible for making recommendations to the Council regarding policies relating to financial/operations management, including investment, and monitoring compliance with such policies.
- c) The Registrar is responsible for developing and implementing the investment policy.

The Registrar will retain professional external investment advisors to assist in structuring investment portfolios with directed mandates, and to assist in selecting appropriate investment vehicles. These advisors will provide monthly statements and quarterly written reports to the Registrar reviewing performance, market factors and economic outlook.

### **2.2 Investment Management Overview**

<b><u>Level</u></b>	<b><u>Policy &amp; Implementation Responsibilities</u></b>	<b><u>Oversight Responsibilities</u></b>
<b>College Council</b>	Approves: <ul style="list-style-type: none"><li>• Executive limitations in Council Policy</li><li>• Finance and Audit Committee terms of reference and membership</li></ul>	Reviews: <ul style="list-style-type: none"><li>• Effectiveness of Council Policy, Finance and Audit Committee, and Registrar</li><li>• Effectiveness and continued appropriateness of revenue, spending and investment policies</li></ul>

<b>Finance and Audit Committee</b>	<ul style="list-style-type: none"><li>• Ensures development of, and adherence to, Registrar's investment policy</li></ul>	Reviews and reports on: <ul style="list-style-type: none"><li>• effectiveness and continued appropriateness of investment policy</li><li>• Registrar's compliance with the investment policy</li></ul>
<b>Registrar</b>	Develops investment policy.  Retains professional external investment advisors  Provides asset mix and investment vehicle instructions to external advisors  Monitors and analyzes <ul style="list-style-type: none"><li>• portfolio performance against benchmarks</li><li>• individual investment advisor performance</li></ul>	Monitors, analyzes and reports on all matters relating to investment of College funds.

### 2.3 Prudent Investor Guidelines

In managing the investment of the CPSA's various assets, the Registrar will observe the prudent investor guidelines outlined in the Council Policy. The Registrar

1. may invest CPSA funds in any investment vehicle, so long as the investment is in accordance with this section.
2. will invest funds with a view to obtaining a reasonable return while avoiding undue risk, having regard to the circumstances of the CPSA.
3. will review the investments at reasonable intervals for the purpose of determining that the investments continue to be appropriate to the circumstances of the CPSA
4. will consider the following matters in planning the investment of CPSA funds, insofar as they are relevant to the circumstances of the investment:
  - (a) the purposes and probable duration of the investment, the total value of the CPSA's assets and the needs and circumstances of the CPSA;
  - (b) the need to maintain the real value of the capital or income of the portfolio;
  - (c) the need to maintain a balance that is appropriate to the circumstances between
    - (i) risk,

- (ii) expected total return from income and the appreciation of capital,
- (iii) liquidity, and
- (iv) regularity of income;
- (d) the importance of diversifying the investments to an extent that is appropriate to the circumstances of the portfolio;
- (e) the role of different investments or courses of action in the investment portfolio;
- (f) the costs, such as commissions and fees, of investment decisions or strategies.

### 3. Retained Surplus Funds

#### 3.1 Investment Objectives

The investment objective is to maximize returns within a low to medium level of risk, with medium liquidity.

#### 3.2 Asset Mix

The asset mix and performance benchmarks for the College's retained surplus are:

<u>Asset Class</u>	<u>Operating Range</u> <u>% of portfolio</u>	<u>Target</u> <u>% of portfolio</u>	<u>Performance Benchmark</u>	<u>Value Added Target</u>
<b>Fixed Income</b>				
Money Market	0 - 10	5	SCM 1-day T-bill Index	+75 b.p.
Canadian Bonds	40 - 75	45	DEX Universe Bond Index	+75 b.p.
<b>Total</b>	<b>40 - 75</b>	<b>50</b>		
<b>Equity</b>				
Canadian	10 - 30	20	S+P/TSE 60	+200 b.p.
US Content	10 - 30	15	S+P (Standard & Poor's) 500 Index	+200 b.p.
Foreign Content	5 - 20	15	MSCI EAFE Index	+200 b.p.
Real Estate	0	0	Not Applicable **	
<b>Total</b>	<b>25 - 50</b>	<b>50</b>		

SCM = Scotia Capital Markets

TSE = Toronto Stock Exchange

S+P/TSE 60 = new index for TSE performance

MSCI = Morgan Stanley Capital International

EAFE = Europe, Asia & Far East

\*\* Investment in Real Estate would normally only be for strategic purposes.

### **3.3 Internal/External Management**

The expertise required in managing funds and the critical mass of assets required to manage all the asset classes on a cost effective basis is a deterrent to internal investment management. Accordingly, the Registrar will retain external advisor(s) to assist with fixed income and equity investments. He will seek the advice of its external investment advisors with respect to the selection of funds, the rollover of investment instruments, asset allocation, and any related issue.

The Registrar may add or change external investment advisors as he wishes, but will report such changes, and the reasons for those changes, to the Finance and Audit Committee.

### **3.4 Permissible Investments**

The asset classes of permissible investments include:

- a) Money Market: All Canadian debt securities with a term under one year.
- b) Canadian Bonds / GIC: GIC up to \$100,000 per Canadian issuer. (To maintain CDIC insurance.)
- c) Fixed Income Securities: Fixed income securities (including bonds, debentures and preferred shares) must have been rated by a recognized rating agency, such as the Dominion Bond Rating Service, as investment grade (BBB) or higher.
- d) Canadian Public Equities: All securities of publicly traded companies that are listed on the Toronto or TSX Venture stock exchanges.
- e) US Public Equities: All securities of publicly traded companies that are listed on the New York, NASDAQ or American stock exchanges.
- f) Foreign Equity: All securities of publicly traded companies on recognized stock exchanges outside of the US or Canada.
- g) Investments in equities shall only be via high quality mutual funds, or in professionally-managed pooled funds.
- h) Exchange traded funds (ETF's).
- i) Real Estate: Investments in income producing properties which are held for long term strategic purposes.

Restrictions:

- f) Direct investment in individual equities shall not be permitted, except where such equities are part of professionally-managed pooled funds.
- g) The Registrar will not invest CPSA funds in derivatives, options or futures.
- h) Investment in aggressive growth or speculative mutual funds focussing on junior companies, emerging markets, precious metals or energy will be minimized.
- i) Investments in tobacco, alcohol or weapons manufacturing firms will be minimized.
- j) No individual bond holding will be greater than 5% of the investment manager's bond portfolio, with the exception of Government of Canada or provincial bonds.

### **3.5 Performance Evaluation**

Regarding evaluation of the performance of the investment portfolio, the Registrar will obtain monthly summaries of portfolio holdings, and quarterly portfolio performance reports from his external investment advisor(s).

Based on this information, the Registrar will conduct a comprehensive performance analysis, on a calendar year basis. The performance analysis will include how total portfolio performance compares to the primary investment objectives, how asset classes have performed relative to policy expectations, whether capital value has been maintained, whether investment strategies have performed as expected, and value received for fees paid.

The benchmark return for the portfolio will be the return calculated from the asset mix and the benchmark indices. Performance review will emphasize three year results.

The Registrar may provide information about portfolio performance to the Finance and Audit Committee.

## **4. Operating Capital**

### **4.1 Investment Objectives**

The investment objective is to maximize returns within a very low level of risk, and to maintain high liquidity.

#### **4.2 Asset Mix**

Retained Surplus will be held principally in money market instruments. Performance benchmark will be the SCM 1-day T-bill index, and the value-added target shall be 75 basis points higher, net of fees.

#### **4.3 Internal/External Management**

The Registrar may seek external advisors, or have appropriate College staff manage investments directly, at his discretion.

#### **4.4 Permissible Investments**

All Canadian money market securities with a term under one year.

#### **4.5 Performance Evaluation**

The Registrar will obtain monthly summaries of portfolio holdings, and quarterly portfolio performance reports. He will prepare an annual summary of performance relative to benchmarks, and analysis of same.

### **5. Pension Funds**

#### **5.1 Investment Objectives**

The investment objective is to maximize returns within a low to medium level of risk, to maintain the real capital value of the funds, to take a longer-term focus and structure for low liquidity.

#### **5.2 Internal/External Management, Permissible Investments**

The Registrar will obtain actuarial advice with respect to asset mix, selection of appropriate investment instruments, and performance evaluation.

The actuarial advisors shall annually provide a report to the Registrar concerning the performance of the pension fund portfolio, against appropriate benchmarks.

The Registrar will prepare and maintain a statement of investment policies, as required by Regulation 51(1) of the Alberta Employment Pension Plans Act.

The Registrar will prepare and maintain a policy statement which includes a description of the factors that may affect the funding and solvency of the plan and the

ability of the plan to meet its financial obligations, as required by Regulation 51 (2) of the Alberta Employment Pension Plans Act.

### **5.3 Control of Assets**

The Registrar will retain a trustee to hold and manage pension fund assets and disbursements for registered retirement plans, as directed by the Canada Revenue Agency.

## **6. Conflict of Interest**

No individual involved in the investment and/or management of any College funds shall function in their capacity while in a real or perceived conflict of interest. Any individual who has reason to believe that a real, potential or perceived conflict of interest has developed shall immediately advise the Registrar. In the case of a conflict involving the Registrar, the Finance and Audit Chair shall immediately be advised.